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SUBJECT: U.S.-CHINA WORKING GROUP MEETS VFM QIAO ZONGHUAI

SUMMARY

1. (SBU) Maintaining close relations with the DPRK and Iran gives Beijing the ability to play a constructive role in resolving their nuclear issues, VFM Qiao Zonghuai told Congressmen Mark Kirk, Rick Larsen and Tom Feeney on January 10. China remains dedicated to fulfilling commitments it made to IPR protection when it acceded to the WTO and has strengthened legislation, enforcement and public education efforts. Though China's energy imports are increasing, they have not reached a level that could have a major impact on the surge of oil prices in the international market. China's foreign policy is aimed at creating a peaceful international environment that is favorable to China's economic development. Appropriate handling of the Taiwan question is key to the growth of U.S.-China relations. While China hopes the U.S.-China Working Group will block pro-Taiwan or anti-China bills in Congress, Congressman Kirk insisted that the Working Group represents all opinions in the House of Representatives. Qiao supports recommendations by Congressman Kirk that the United States and China establish a Pentagon-Ministry of Defense direct telephone link and cooperate on allowing Chinese Shenzhou space vehicles to carry out emergency docking with the International Space Station. End Summary.

2. (SBU) Thanks to efforts by both sides, U.S.-China relations maintained stable development in 2005, VFM Qiao Zonghuai told Congressmen Mark Kirk, Rick Larsen and Tom Feeney January 10. Frequent and close contact between President Bush and President Hu last year helped enhance mutual understanding and advance relations. Beijing hopes that President Hu's visit to the United States in April 2006 will give a strong boost to these ties. The United States and China have cooperated for many years in the fields of education, science and technology, culture, public health and defense. The two governments have worked closely on counterterrorism, nonproliferation, combating avian influence and nuclear issues. Cooperation is broadening in scope and deepening in content. Due to differences in history, culture and national circumstances, however, the United States and China do have some differences. The timing of the founding of the U.S.-China Working Group is good for China, Qiao summarized, as it is often in election years in Congress that U.S.-China relations experience disruptions.

3. (SBU) The U.S.-China Working Group was founded seven months ago, Congressman Larsen told VFM Qiao, based on the idea of creating in Congress a bipartisan space for good conversation and good debate on how to move forward U.S. relations with China. The purpose of the group is not to take bloc positions on issues but to let members educate themselves on the many issues in the bilateral relationship, including both areas of agreement and disagreement, Larsen

explained.

#### Relations with North Korea and Iran

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¶4. (SBU) A question faced by the U.S.-China Working Group, Congressman Feeney said, is why China maintains relations with countries like North Korea and Iran which seek to destabilize their respective regions. China and the DPRK share a 1300-kilometer common border, VFM Qiao responded, so the question of denuclearization of the Korean Peninsula is of great importance to China. In recent years, China has worked with other parties to make the Six-Party Talks possible and to encourage progress at the Talks. China believes that solving the North Korean nuclear issue through peaceful talks that maintain peace and stability on the Korean Peninsula serves the interests of China, the United States and other countries. Though the problem is complicated and there are difficulties in finding a solution, China will continue to work with the other parties, particularly the United States, to find a proper and appropriate solution.

¶5. (SBU) Both China and the United States are completely opposed to Iran's possession of nuclear weapons and to any nuclear proliferation, Qiao continued. China's believes the Iran nuclear issue should be resolved within International Atomic Energy Agency (IAEA) parameters and supports efforts by the EU to find a long-term solution. It is important to resume EU-Iran talks. In their meetings January 9 with Iranian Deputy Foreign Minister Mehdi Safari, Foreign Minister Li Zhaoxing and VFM Zhang Yesui reiterated China's position that Iran should exercise restraint and resume negotiations. Speaking more broadly to the question of

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China's relations with North Korea and Iran, Qiao said the United States should bear in mind that China's close relations with these countries give Beijing the ability to play a positive and constructive role.

#### Protection of Intellectual Property Rights

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¶6. (SBU) Although Congress has recently focused on the China National Offshore Oil Corp (CNOOC)-Unocal issue and Senator Schumer's bill relating to valuation of China's currency, Congressman Kirk said, what U.S. exporters really care about with regard to China is protection of Intellectual Property Rights (IPR). The United States and China should spend more time figuring out how to build an "invention culture" in China. The Chinese Government attaches great importance to protection of IPR, Qiao responded, and remains unswervingly dedicated to fulfilling the commitments China made when it acceded to the WTO. Noting that he previously served in Geneva, Qiao said he had close contact with the World Intellectual Property Organization (WIPO) in the past. China has acceded to 15 of the 22 WIPO conventions. In the past 27 years since initiation of reform in China, the PRC has passed 30 laws relating to IPR protection, including laws covering patents, trademarks and copyrights.

¶7. (SBU) In addition to passing legislation, China has strengthened law enforcement efforts and has begun a campaign to educate Chinese citizens about IPR through specialized TV programs, Qiao continued. Violations of IPR do occur and the government is taking actions to address these. Noting a 2005 agreement between the United States and China to exchange experts on IPR protection, Qiao praised U.S.-China cooperation on the issue.

#### Energy Policy

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¶8. (SBU) Last year's debate in Congress over CNOOC's bid to purchase Unocal was based in part on questions raised by

China's rising energy consumption and attempts to lock-in energy supplies, Congressman Larsen said. Energy security is an area where the United States and China need further discussion to better understand one another and find areas of agreement. Areas where the two countries might cooperate include energy investment, research on energy efficiency, application of alternate sources of energy and China's participation with the International Energy Agency, which seeks to eliminate fluctuations in supply and price.

¶9. (SBU) China's energy imports are not at a level that could cause a surge of oil prices in the international market, Qiao argued. China still derives seventy percent of its energy from coal and just over twenty percent from oil. In 2005, China produced 160 million tons of oil and imported an additional 130-140 million tons, maintaining a high rate of self-sufficiency. China's oil imports are still only a small percentage of total oil imports worldwide. The United States and China should enhance cooperation on energy and on the international supply and demand of oil to achieve a mutually beneficial, win-win result.

Taiwan

¶10. (SBU) VFM Qiao told the Congressmen that appropriate handling of the Taiwan question is key to the growth of U.S.-China relations. China will never waiver in its adherence to the one-China policy, will never give up on peaceful reunification, will never compromise in the fight against secessionist forces and will never give up on the Taiwanese people. The mainland took measures in 2005 resulting in improvement of relations with Taiwan, but Chen Shuibian and the Taiwanese authorities continue to trumpet their ideas of Taiwan independence and "so-called constitutional re-engineering," Qiao claimed. China hopes that the U.S.-China Working Group understands the sensitivity of these issues and that the United States will continue to uphold the one-China principle, adhere to the three communiques, oppose Taiwan independence and oppose rhetoric aimed at changing the status quo. Congressman Larsen responded that the United States supports the one-China principle and abides by the three communiques and the Taiwan Relations Act, cautioning Qiao that the United States does not want to see any party take unilateral action.

¶11. (SBU) VFM Qiao told the Congressmen that China hopes the U.S.-China Working Group will use its influence in Congress to oppose or block any pro-Taiwan or anti-China bills in

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Congress. Congressman Kirk rejected this notion, saying that the Working Group represents all opinions in the House of Representatives, ranging from support for Taiwan independence at one extreme and complete support for the mainland at the other.

Intentions Behind PRC Foreign Policy

¶12. (SBU) Calling attention to statements by Secretary Rice and Deputy Secretary Zoellick that the United States welcomes a confident, peaceful and prosperous China, Congressman Larsen asked Qiao to explain how China's foreign policy fits into its stated goals of seeking balanced development and a harmonious society, both of which seem to focus on China's domestic situation. China's foreign policy, Qiao responded, is aimed at creating a peaceful international environment that is favorable to China's economic development. Although China's GDP is now ranked number six in the world, per capita income is only ranked number 107. The Chinese Government's most pressing task is to develop China's economy to meet the increasing material and cultural demands of the Chinese people, with a goal to achieve a moderately prosperous country by mid-century.

#### Pentagon-MOD Direct Communications Link

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¶13. (SBU) Noting that the Pentagon currently maintains direct communications links with Ministries of Defense in 26 countries and that there are direct communications links between President Bush and President Hu as well as the Department of State and the MFA, Congressman Kirk said that due to "China's rise" it is time for the Pentagon and China's Ministry of Defense to upgrade their communications and establish a Defense Telephone Link. Qiao said he is not aware of details on efforts to establish such a link, but thinks taking this action would help build trust and promised to convey the recommendation to PRC military authorities.

#### U.S.-China Cooperation in Space

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¶14. (SBU) Russian Soyuz rockets already have the capability to dock at the International Space Station (ISS), Congressman Kirk said, noting that Congressman Feeney's district includes the U.S. space launch facilities at Cape Canaveral. China should have a similar docking ring for its Shenzhou space vehicles. While it would require some engineering, adding this capability to the ISS would allow astronauts in emergency situations to be rescued and could be beneficial to U.S.-China relations. Noting that he had been a researcher in space science 20 years ago, VFM Qiao agreed that harmonizing technical standards of space vehicles would contribute to the ISS and enhance mutual trust.

#### ¶15. (U) Participants:

##### U.S. Delegation

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Congressman Mark Kirk  
Congressman Rick Larsen  
Congressman Thomas Feeney  
The Ambassador  
Stephan Orlins, President, National Committee on U.S.-China Relations  
Richard Goldberg, U.S.-China Working Group Co-Staff Director  
Dr. Yang Hong, Bryant University  
Embassy Officers  
Interpreter

##### Chinese Delegation

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VFM Qiao Zonghuai  
Wang Xiaolong, MFA Deputy Director General for International Organizations  
Deng Hongbo, Counsellor, Office of U.S. Affairs, MFA North American and Oceanic Division  
MFA Officers

¶16. (U) The delegation has cleared this cable.  
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